Country: Russia

Business Jet Market Brief 2010

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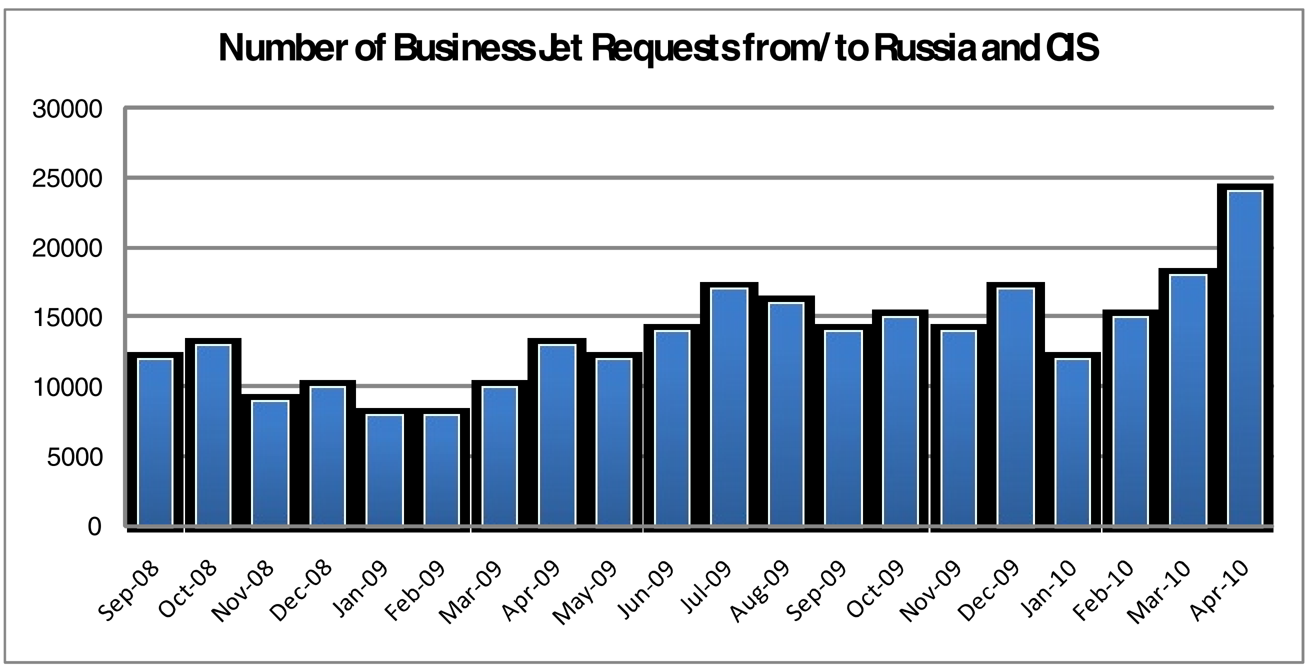
Summary

The Russian business jet market saw a sharp fall in activity due to the financial crisis, but recent market data indicates that the market is beginning to recover. Passengers are now, however, opting for less expensive, smaller size jet models. The share of turboprops (vs. heavy jets) is also growing. Major Western jet manufacturers and jet charter flight operators are already present in Russia. Opening representative offices and appointing official distributors for jets and helicopters have become an effective way to penetrate the market. The Russian government has facilitated imports of Western business jets by abolishing prohibitive import duties and is working to facilitate the registration of a larger percentage of Russian-owned, foreign-registered aircraft to Russia.

Market Demand

According to 2008 industry data, the Russian business jet market was estimated at $1.5 billion. Prior to the financial crisis, the market had demonstrated an unparalleled high growth rate. In 2007, the market officially grew 30%, while informal industry sources quoted 45% growth. The market growth dynamics were forecasted to remain at the level of 30-35% annually, whereas the European business jet market remained at the low of 10% and demonstrated a tendency for further decrease. Although the jet market experienced a sharp fall in activity in 2008 as a result of the financial crisis, recent market data indicates that the market is beginning to recover, judging by the increase in the number of business jet requests in the chart below.



Source: Avianode

At the same time, the market is seeing a change in passenger preferences regarding the type of business jets to be used. Passengers are opting for less expensive, smaller size jet models. The share of turboprops (vs. heavy jets) is also growing. The forecast report released by Bombardier Aerospace in July 2010 states that Russia and CIS countries will purchase 650 business jets between 2010 and 2029.

While accurate statistics on Russian ownership of business jets are impossible to obtain, it is widely accepted that approximately 400 to 450 corporate jets are directly or indirectly owned by Russian corporations and individuals. Of these, approximately 95% of the Russian-owned aircraft are not registered in Russia. This is primarily due to the requirements of foreign bank that prefer their loan/lease agreements be governed by non-Russia law; superior maintenance facilities outside of Russia; lower costs outside of Russia; and greater confidence in the rule of law outside of Russia.

Best Prospects

Larger jets are the most popular type constituting 62% of the fleet. Mid-size jets take a 33% share, turboprops 3% and light jets 2%. Bombardier models account for approximately 39% of the entire fleet, with Hawker Beechcraft, Dessault Falcon, Gulfstream Aerospace and Embraer taking 15%, 14%, 11% and 8%, respectively. The average age of the fleet is seven years, while almost one-third of the aircraft are less than two years old. Russian buyers are becoming increasingly brand name conscious. When selecting a business jet, they consider how many aircraft of this brand and type are currently used in Russia, whether it is well-known, and whether there is local technical support for a specific type of aircraft. They also consider such technical characteristics as the flight range, fuel consumption per hour, speed, capacity and level of comfort.

Key Suppliers

Russian dealers	Jet charter flight operators	Foreign representative offices
Aviamarket (Robinson, Bell, Augusta, Eurocopter) http://vertolet.ru	VistaJet (Switzerland) http://www.vistajet.com	Bombardier Aerospace http://www2.bombardier.com/ru/8_0/8_4.html
Jet Transfer (Cessna and Bell) http://www.jettransfer.ru	NetJets (Europe) http://www.netjetseurope.com	Hawker Beechcraft http://www.beechcraft-hawker.ru
Aerosoyuz (Robinson, Augusta, Eurocopter) http://www.aerosouz.ru	Global Jet Concept (Switzerland) http://www.globaljetconcept.com	Gulfstream Aerospace Corporation http://www.gulfstream.com/russia
Aerocomp Ural (Robinson, Eurocopter, Augusta) http://www.uralhelicom.com	Ocean Sky (UK) http://www.oceansky.com	Augusta Westland http://agusta-russia.ru
Gals Aero (MD Helicopters) http://www.galsaero.ru	Jet-2000 (Russia) http://www.jet2000.ru	Eurocopter Vostok http://www.eurocopter.ru

Prospective Buyers

A potential for growth remains from major government and private sector user groups. Russian ministries, state agencies, and regional governments all operate corporate jets and utility helicopters. This group is likely to account for a significant percentage of future demand, since Russia has 17 ministries, seven federal services and over 30 government agencies. Each is a potential corporate jet consumer, and at least 10 of these agencies (notably, the Ministries of Defense, Environment, Transport, and Agriculture) will need large numbers of aircraft and helicopters. The second group is large Russian companies, especially in the timber, mining, and oil industries. The third group comprises charter companies likely to purchase all types of general aviation aircraft, ranging from long-range jets in Moscow to smaller operators using small aircraft and seaplanes in the wilds of Siberia. Law enforcement units are also potential consumers for light aircraft and utility helicopters. Russia has 14 cities with populations over one million, 22 cities with populations between one million and 500,000, and 117 cities with populations between 100,000 and 500,000. All these cities may require traffic and police helicopters. A final end-user group includes small companies, farmers, and individuals who can afford private aircraft for recreation and transport.

Market Issues & Future Developments

On April 30, 2009, the Russian government abolished the high 20% import duty for aircraft with empty operating weight less than 20,000 kg and with a capacity of no more than 19 passengers. Although this measure was expected to stimulate foreign imports and was the result of years of lobbying by the international aviation community, the import level to date is still not significant. This is attributed to other factors affecting import dynamics, including a general preference to register business jets outside of Russia, a growing presence and competition of foreign business jet service operators in Russia, a lack of adequate maintenance facilities for foreign aircraft within Russia, and a still high level of VAT on imports.

Officials from the Ministry of Transportation have announced that it is high priority in the Russian government to create the right tax and customs law circumstances so that many of the approximately 400 foreign-registered, Russian-owned aircraft will be brought to Russia. The government sees bringing Russian-owned aircraft to Russia as a way to create employment and investment in this sector. There is a draft decree pending at the Ministry of Transportation, which will allow foreign-registered business jets to be used in charter flights inside Russia. According to industry experts, the near future for business aviation in Russia will likely include the following developments: (1) more Russian registered aircraft, (2) more Russian and foreign finance for Russian registered aircraft, (3) more liberal rules for the use of Russian-registered business aircraft, (4) more liberal rules for the use of foreign-registered business aircraft, (5) more Russian customs clearance of foreign-registered aircraft.

Trade Events

- Jet Expo 2010: International Business Aviation Exhibition, September 15-17, 2010 Moscow, http://www.jetexpo.ru
- HeliRussia 2010: Fourth International Helicopter Industry Exhibition, May 19-21, 2011 Moscow, http://www.helirussia.ru
- Business Aviation Forum 2010: Annual Professional Conference & Exhibition, June 24, 2010, Moscow, http://www.events.ato.ru/eng/events/business_aviation

Resources & Contacts

- Russian United Business Aviation Association: http://www.rubaa.ru
- ATO events, professional conference organizer: http://www.events.ato.ru/eng/about

For More Information

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